

Message Text

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ACTION TRSE-00

INFO OCT-01 ARA-06 ISO-00 EB-07 AID-05 OMB-01 CIAE-00

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 1428

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TAGS: EFIN, CI

SUBJECT: BALANCE OF PAYMENTS AND DEBT PROSPECTS

REF: STATE 223505

1. BALANCE OF PAYMENTS 1974-1977: (EXCEPT WHERE OTHERWISE INDICATED, SOURCES OF DATA ARE CENTRAL BANK AND NATIONAL PLANNING OFFICE)

(MILLIONS OF DOLLARS) 1974 1975 1976 1977

CURRENT ACCOUNT BALANCE	-100.9	-322.2	201.8	-162.9
A. MERCHANDISE EXPORTS (FOB)	2,133.5	1,497.9	1,987.9	2,173.6
B. MERCHANDISE IMPORTS (CIF)	2,190.4	1,775.6	1,728.6	2,279.0
C. SERVICE IMPORTS	174.0	N.A.	N.A.	N.A.
D. SERVICE EXPORTS	135.0	N.A.	N.A.	N.A.
D-C. NONE-FINANCIAL SERVICES (NET)	-39.0	-50.0	-60.0	-60.0
E. NET PRIVATE TRANSFERS	-5.0	5.5	2.5	2.5
CAPITAL ACCOUNT BALANCE	743.7	1,134.0	610.8	
F. OFFICIAL LONG TERM)	)	434.8(1)	230.7(1)	128.0(1)
G. OFFICIAL SHORT TERM)	515.1)	)	)	
H. NET PRIVATE)	455.4	704.8	618.0	
I. CHANGE IN INT. RES. LEVEL				
(- DENOTES INCREASE)	139.7	274.6	-331.7	208.4
J. ERRORS & OMISSIONS	88.9	-30.8	7.0	-

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(1) OFFICIAL CAPITAL INFLOWS ARE ALMOST ENTIRELY MEDIUM AND

LONG TERM.

2. CHANGES IN ASSUMED OECD GROWTH (5.5 PERCENT) AND OECD INFLATION (8 PERCENT) RATES FOR 1976 AND 1977 WOULD PROBABLY HAVE LITTLE IMPACT ON CHILE'S BOP IN 1976. PRICE OF COPPER, WHICH ACCOUNTS FOR MOST OF CHILE'S EXPORT EARNINGS, IS LIKELY TO BE SENSITIVE TO OUTPUT CHANGES AND, TO A MORE LIMITED EXTENT, TO INFLATIONARY TRENDS IN OECD COUNTRIES. CENTRAL BANK BOP PROJECTIONS ARE BASED ON AVERAGE LME COPPER PRICE FOR 1977 OF 73 CENTS A POUND, WHICH WOULD APPEAR TO BE CONSISTENT WITH CONTINUED MODEST ECONOMIC EXPANSION IN THE OECD AREA.

3. EACH ANNUAL CENT A POUND DEVIATION FROM THE 73 CENTS PROJECTION WOULD IMPLY A CHANGE OF ABOUT 21 MILLION DOLLARS IN CHILE'S FOREIGN EXCHANGE EARNINGS. ADDITIONAL REVENUES FROM A HIGHER COPPER PRICE WOULD PROBABLY BE ADDED PRIMARILY TO CHILE'S EXCHANGE RESERVES DURING THE PERIOD OF THIS PROJECTION. A COPPER PRICE SIGNIFICANTLY LOWER THAN THAT PROJECTED, ON THE OTHER HAND, WOULD MAKE IT DIFFICULT FOR CHILE TO FINANCE A \$500 MILLION INCREASE IN 1977 IMPORTS, AS PROJECTED.

4. CENTRAL BANK PROJECTION INCORPORATES 8 PERCENT INCREASE IN POSTED PRICE OF OIL FOR 1977. OTHER CRITICAL ASSUMPTIONS IN 1977 BOP PROJECTION ARE:

A. GROSS DOMESTIC PRODUCT INCREASES BY 10 PC

B. INDUSTRIAL PRODUCTION INCREASES BY 12 PC.

C. PRICES OF GOODS IMPORTED FROM INDUSTRIALIZED NATIONS INCREASE ON THE AVERAGE BY 8.4 PERCENT (EXCLUDING OIL)

D. PRICES OF CHILEAN EXPORTS (EXCLUDING COPPER) INCREASE ON THE AVERAGE BY 8 PERCENT.

5. EXTERNAL DEBT:

	1974	1975	1976	1977 3/
GOVERNMENT GUARANTEED (2)	4,088	4,467	4,422	4,077
OF WHICH:				
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UNDISBURSED EXTERNAL DEBT	(578)	(731)	(322)	(127)
IMF	(195)	(387)	(392)	(0)
PRIVATE DEBT:	761	758	806	1,394
- PRIVATE CAPITAL INFLOWS	(363)	(336)	(436)	(550)
- SHORT TERM CREDIT LINES	(398)	(422)	(370)	(844)
TOTAL DEBT:	4,849	5,225	5,228	5,471
(2) MOSTLY MEDIUM AND LONG TERM				

3/ EMBASSY ESTIMATE BASED ON CENTRAL BANK PROJECTIONS

6. DEBT SERVICE:

	1974	1975	1976	1977
INTEREST PAYMENTS		197.0	305.9	323.0 288.5
OFFICIAL SHORT TERM		N.A.	44.0	45.0 42.8
PRIVATE SHORT TERM		N.A.	36.9	43.2 50.7
ALL LONG TERM		N.A.	225.0	234.8 195.0
AMORTIZATIONS		272.0	505.9	489.6 503.0
ALL SHORT TERM		N.A.	8.9	19.9 30.0
ALL LONG TERM		N.A.	497.0	469.7 473.0
TOTAL DEBT SERVICE:		469.0	811.8	812.6 791.5

7. DEBT OUTLOOK: DURING THE PERIOD 1977-1981, CHILE WILL NEED TO SERVICE DEBT PAYMENTS OF APPROXIMATELY 800-900 MILLION DOLLARS PER YEAR. SERVICE PAYMENTS ON DEBT CONTRACTED PREVIOUS TO 1977, HOWEVER, WILL BE REDUCED TO ABOUT 450 MILLION BY 1981. THE BALANCE REFLECTS PAYMENTS ON EXPECTED NEW DEBT CONTRACTS, CHIEFLY TO FINANCE MEDIUM TERM INVESTMENT PROJECTS. RENEGOTIATION OF DEBT PAYMENTS WILL NOT BE A SOURCE OF ADDITIONAL INDEBTEDNESS, GIVEN GOC'S EXPLICIT POLICY OF MEETING ALL FINANCIAL COMMITMENTS AS THEY COME DUE. POSITIVE RESULTS ARE BEING ACHIEVED IN THIS RESPECT DURING 1976, IN WHICH SERVICE OF FOREIGN DEBT PAYMENTS HAS A PRIORITY CALL ON INTERNAL RESOURCES, EVEN THOUGH THE ECONOMY IS JUST STARTING TO RECOVER FROM 1975'S RECESSION.

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